

The Painted Turtle
Financial Statements
and Independent Auditor's Report
December 31, 2020

The Painted Turtle

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Independent Auditor's Report

To the Board of Directors
The Painted Turtle

We have audited the accompanying financial statements of The Painted Turtle, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Painted Turtle as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Los Angeles, California
October 29, 2021

The Painted Turtle
Statement of Financial Position
December 31, 2020

Assets

Current assets	
Cash and cash equivalents	\$ 1,157,467
Current portion of pledges receivable, net	248,631
Prepaid expenses and other	2,000
Total current assets	1,408,098
Property and equipment, net of accumulated depreciation and amortization	27,556,046
Pledges receivable, net of current portion	407,321
Investments	9,243,302
Total assets	\$ 38,614,767

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 368,947
PPP loan	704,727
Total current liabilities	1,073,674
Long-term debt	5,000,000
Total liabilities	6,073,674
Commitments	
Net assets	
Without donor restrictions	24,465,341
With donor restrictions	8,075,752
Total net assets	32,541,093
Total liabilities and net assets	\$ 38,614,767

See Notes to Financial Statements.

The Painted Turtle

**Statement of Activities
Year Ended December 31, 2020**

	Without donor restrictions	With donor restrictions	Total
Revenues and support			
Contributions	\$ 2,229,630	\$ 498,620	\$ 2,728,250
In-kind donations	468,138	-	468,138
Special events	699,599	-	699,599
Realized and unrealized gain on investments	968,444	-	968,444
Net assets released from restrictions			
Time restricted, pledges receivable	337,129	(337,129)	-
Special purpose, operations	375,000	(375,000)	-
Total revenues and support	5,077,940	(213,509)	4,864,431
Expenses			
Program services			
Camp program	1,300,859	-	1,300,859
Medical	689,951	-	689,951
Facilities	3,020,903	-	3,020,903
Supporting services			
General and administrative	436,867	-	436,867
Fundraising and development	1,021,400	-	1,021,400
Special events	65,207	-	65,207
Total expenses	6,535,187	-	6,535,187
Change in net assets	(1,457,247)	(213,509)	(1,670,756)
Net assets, beginning	25,922,588	8,289,261	34,211,849
Net assets, end	\$ 24,465,341	\$ 8,075,752	\$ 32,541,093

See Notes to Financial Statements.

The Painted Turtle

**Statement of Functional Expenses
Year Ended December 31, 2020**

	Program services			Supporting services			Total
	Camp program	Medical	Facilities	General and administrative	Fundraising and development	Special events	
Automobiles	\$ 33,262	\$ 3,102	\$ 32,785	\$ 9,860	\$ 8,678	\$ -	\$ 87,687
Camp services	158,540	11,779	130,375	338	-	-	301,032
Cost of direct benefits to donors	-	-	-	-	-	65,207	65,207
Depreciation and amortization	-	-	1,190,273	-	-	-	1,190,273
Dues and subscriptions	5,824	2,215	-	1,112	3,306	-	12,457
Employee costs	106,605	50,607	50,394	42,311	32,752	-	282,669
Insurance	59,174	92,478	460,491	25,356	57,630	-	695,129
Interest and bond related costs	-	-	95,607	-	-	-	95,607
Leasing fees	2,518	-	13,211	835	-	-	16,564
Maintenance	3,232	-	141,177	-	-	-	144,409
Miscellaneous	-	-	-	5,480	13,003	-	18,483
Office	59,906	4,221	128,388	27,841	13,049	-	233,405
Outside service	13,366	-	4,593	23,708	-	-	41,667
Payroll taxes	39,599	30,693	38,911	18,853	34,068	-	162,124
Professional fees	-	-	-	44,574	3,347	-	47,921
Promotions	-	-	-	-	258,491	-	258,491
Rent	-	-	8,445	103,200	-	-	111,645
Salaries	546,559	470,087	471,481	116,372	595,913	-	2,200,412
Supplies	228,659	3,593	84,776	5,357	-	-	322,385
Taxes and licenses	-	-	19,823	150	-	-	19,973
Travel and entertainment	18,075	2,032	-	1,023	-	-	21,130
Utilities	7,505	1,840	116,950	9,557	352	-	136,204
Workers' compensation	18,035	17,304	33,223	940	811	-	70,313
Total	\$ 1,300,859	\$ 689,951	\$ 3,020,903	\$ 436,867	\$ 1,021,400	\$ 65,207	\$ 6,535,187

See Notes to Financial Statements.

The Painted Turtle

**Statement of Cash Flows
Year Ended December 31, 2020**

Cash flows from operating activities	
Change in net assets	\$ (1,670,756)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Change in discount of pledges receivable	(5,667)
Depreciation and amortization	1,190,273
Contributions restricted for endowment	(2,100)
Net realized and unrealized gain on investments	(968,444)
Changes in operating assets and liabilities	
Pledges receivable	221,276
Prepaid expenses and other	125,576
Accounts payable and accrued expenses	<u>(46,142)</u>
Net cash used in operating activities	<u>(1,155,984)</u>
Cash flows from investing activities	
Purchases of property and equipment	(804,486)
Purchases of investments	(6,191,322)
Proceeds from sales of investments	<u>5,877,431</u>
Net cash used in investing activities	<u>(1,118,377)</u>
Cash flows from financing activities	
Contributions restricted for endowment	2,100
Proceeds from PPP loan	<u>704,727</u>
Net cash provided by financing activities	<u>706,827</u>
Net decrease in cash and cash equivalents	(1,567,534)
Cash and cash equivalents, beginning	<u>2,725,001</u>
Cash and cash equivalents, end	<u>\$ 1,157,467</u>
Supplemental disclosure of cash flow data	
Interest paid	<u>\$ 95,107</u>

See Notes to Financial Statements.

The Painted Turtle
Notes to Financial Statements
December 31, 2020

Note 1 - Business and summary of significant accounting policies

Business

The Painted Turtle (a California nonprofit corporation) (the "Organization") was incorporated in California on December 24, 1996 and designated as a 501(c)(3) nonprofit corporation. The purpose of the Organization is to own, operate and maintain a state of the art medical camping facility that provides services to chronically ill children without cost to their families. The affairs of the Organization are managed and controlled by the Board of Directors (the "Board") of the Organization.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Financial statement presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, which are described as follows:

Net Assets Without Donor Restrictions - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve through a board-designated endowment.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose, or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions

Unconditional promises to give are recorded as pledges receivable when the promise is received. Unconditional promises to give with payments due in future periods are reported as restricted support.

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. Contributions with a donor-imposed time restriction or purpose restriction which imposed restrictions which limit the use of the donated assets are reported as contributions with donor restrictions if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions of assets which donors have stipulated must be maintained in perpetuity, with only the income earned thereon available for current use, are classified as contributions with donor restrictions perpetual. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as net assets without donor restrictions.

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Notes to Financial Statements December 31, 2020

Gifts of land, buildings, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. As of December 31, 2020, the Organization did not have any conditional contributions.

Contributed services

During the year ended December 31, 2020, there were no contributed services meeting the requirements for recognition in the financial statements.

In-kind donations

During the year ended December 31, 2020, the value of in-kind donations (including rent) or noncash assets received by the Organization was \$468,138. The donated assets were in relation to the operations of the Organization and are included in program and supporting services. The value of in-kind donations is based on either donor-stated value, face value or replacement value had the Organization needed to purchase from an outside source.

Functional allocation of expenses

Identifiable expenses are charged to program services, supporting services and special events. Other functional services have been allocated between such categories related to personnel time and space utilized for activities.

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity at date of purchase of three months or less to be cash equivalents.

Pledges receivable

Pledges receivable are stated at unpaid balances, less an allowance for doubtful accounts and a discount on those pledges receivable due in greater than one year. The Organization provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of the donors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. The realized and unrealized gains and losses are included in the Organization's statement of activities.

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Notes to Financial Statements December 31, 2020

Fair value measurements

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the assets, generally ranging from three to five years. Camp facilities are depreciated over an estimated useful life of 40 years. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term.

Long-lived assets

Long-lived assets to be held and used are periodically reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable, at which time the Organization will record an impairment. No impairments were recorded during the year ended December 31, 2020.

Income taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue Taxation Code of California. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization has no unrecognized tax benefits at December 31, 2020. The Organization's federal and state income tax returns prior to fiscal years 2017 and 2016, respectively, are closed. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Organization recognizes interest and penalties associated with tax matters as part of income tax expense and includes accrued interest and penalties with the related tax liability in the statement of financial position.

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Notes to Financial Statements December 31, 2020

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Liquidity and availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, receivables and investments.

At December 31, 2020, the Organization had the following financial assets and liquidity resources available over the next 12 months:

Cash and cash equivalents	\$ 1,157,467
Pledges receivable due in one year or less, net	248,631
Investments	<u>9,243,302</u>
	10,649,400
Endowment investments	<u>(7,260,356)</u>
	<u>\$ 3,389,044</u>

The board designated endowment funds of \$1,340,556 can be used by the Organization for operations, if needed (see Note 10).

Note 3 - Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and pledges receivable. The Organization maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

The Organization's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

At December 31, 2020, two donors accounted for approximately 57% of the Organization's total pledges receivable. For the year ended December 31, 2020, one donor accounted for approximately 12% of the Organization's total contributions.

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**Notes to Financial Statements
December 31, 2020**

Note 4 - Pledges receivable

At December 31, 2020, unconditional pledges receivable consist of future amounts to be received for camp endowment and general purposes. Unconditional pledges receivable are reflected at the present value of estimated future cash flows using a discount rate of 4.5%. The receivables are recorded as follows:

Pledges receivable	\$	701,409
Less discount to net present value		<u>45,457</u>
		655,952
Less current portion		<u>248,631</u>
	\$	<u><u>407,321</u></u>

At December 31, 2020, gross undiscounted pledges receivable due in less than one year are \$248,631, pledges receivable due in one to five years are \$332,778 and pledges receivable due in greater than five years are \$120,000. At December 31, 2020, the Organization believes that all pledges receivable are collectible.

Note 5 - Property and equipment

At December 31, 2020, property and equipment consist of the following:

Automobiles	\$	380,225
Computer equipment		566,533
Furniture and fixtures		1,940,225
Leasehold improvements		49,493
Camp facilities		41,372,055
Land		<u>1,140,574</u>
		45,449,105
Less accumulated depreciation and amortization		<u>17,893,059</u>
	\$	<u><u>27,556,046</u></u>

Depreciation and amortization expense for the year ended December 31, 2020 was \$1,190,273.

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**Notes to Financial Statements
December 31, 2020**

Note 6 - Investments

At December 31, 2020, investments consist of the following:

Fixed income	\$	1,382,359
Preferred stock		2,598,822
Mutual funds		
Bank loan		2,566,412
Intermediate bond		681,953
International fund		758,315
High-yield bond		245,208
Multisector bond		499,915
Multialternative		186,943
Corporate bond		130,865
Mid-cap growth		192,510
		192,510
	\$	9,243,302

Note 7 - Fair value measurements

At December 31, 2020, financial assets are carried at fair value and are classified in the table below in one of the three categories as described in Note 1:

	Level 1	Level 2	Level 3	Total
Fixed income	\$ 1,382,359	\$ -	\$ -	\$ 1,382,359
Preferred stock	2,598,822	-	-	2,598,822
Mutual funds				
Bank loan	2,566,412	-	-	2,566,412
Nontraditional bond	681,953	-	-	681,953
International fund	758,315	-	-	758,315
World bond	245,208	-	-	245,208
Multisector bond	499,915	-	-	499,915
Multialternative	186,943	-	-	186,943
Long-short equity	130,865	-	-	130,865
Mid-cap growth	192,510	-	-	192,510
	192,510	-	-	192,510
Total	\$ 9,243,302	\$ -	\$ -	\$ 9,243,302

Fixed income and preferred stock investments consist of exchange traded funds and are valued from real-time quotes. Valuations of mutual funds are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

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**Notes to Financial Statements
December 31, 2020**

Note 8 - Debt

Long-term debt

On July 1, 2018, the Organization entered into a bond issuance through the California Infrastructure and Economic Development Bank in the amount of \$10,000,000. These funds were used to pay off the previous outstanding bonds. The bonds are variable rate bonds (2.07% at December 31, 2020) with interest payable monthly and a maturity date of August 2046. The bonds are secured by substantially all of the Organization's assets. At December 31, 2020, the Organization is indebted under these bonds in the amount of \$5,000,000 which is due at maturity.

For the year ended December 31, 2020, interest expense relating to the bonds totaled \$95,607.

The bonds contain covenants regarding certain financial amounts, ratios and activities of the Organization. For the year ended December 31, 2020, the Organization was in compliance with or received a waiver for all such financial covenants.

PPP loan

On April 14, 2020, the Organization entered into an unsecured promissory note with a commercial bank for an aggregate principal amount of \$704,727 pursuant to the Paycheck Protection Program (the "PPP Loan"), which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). The loan has a two-year maturity and includes a fixed interest rate of 1% per year until the maturity date. The PPP Loan promissory note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in the repayment of all amounts outstanding and/or filing suit and obtaining judgment against the Organization.

Subsequent to year end, the Organization applied for and received full loan forgiveness of \$704,727 (See Note 13).

Note 9 - Net assets

At December 31, 2020, net assets with donor restrictions consist of the following:

Time or purpose:	
Time restricted, pledges receivable	\$ 655,952
Special purpose	<u>1,500,000</u>
	2,155,952
Perpetual:	
Endowment investments	<u>5,919,800</u>
	<u><u>\$ 8,075,752</u></u>

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**Notes to Financial Statements
December 31, 2020**

Note 10 - Endowments

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the State of California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions: (a) the original value of gifts donated to the perpetually restricted endowment, (b) the original value of subsequent gifts to the perpetually restricted endowment, and (c) accumulations to the perpetually restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Organization and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization's investment policy over endowment assets attempts to provide a predictable stream of funding while seeking to maintain the purchasing power of the assets. Under this policy, investments are invested in a well-diversified asset mix, which includes equity securities and mutual funds, that is intended to result in a consistent inflation-protected rate of return, while growing the funds if possible. All income earned on these accounts is expected to be appropriated and used in operations to support the Organization's programs.

Endowment net asset composition by type of fund as of December 31, 2020, is as follows:

	Without donor restrictions	With donor restrictions		Total
		Time or purpose	Perpetual	
Donor-restricted endowment funds	\$ -	\$ -	\$ 5,919,800	\$ 5,919,800
Board-designated endowment funds	1,340,556	-	-	1,340,556
Endowment assets, end	<u>\$ 1,340,556</u>	<u>\$ -</u>	<u>\$ 5,919,800</u>	<u>\$ 7,260,356</u>

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Notes to Financial Statements December 31, 2020

The following table summarizes the activity affecting endowment net assets for the year ended December 31, 2020:

	Without donor restrictions	With donor restrictions		Total
		Time or purpose	Perpetual	
Endowment assets, beginning	\$ 392,283	\$ -	\$ 5,917,700	\$ 6,309,983
Contributions	-	-	2,100	2,100
Investment income	58,953	889,320	-	948,273
Appropriated for expenditure	889,320	(889,320)	-	-
Endowment assets, end	<u>\$ 1,340,556</u>	<u>\$ -</u>	<u>\$ 5,919,800</u>	<u>\$ 7,260,356</u>

At December 31, 2020, there were no deficiencies of donor-restricted endowment funds. Board-designated endowment funds are designated for the support of camp operations.

Note 11 - 401(k) retirement plan

The Organization maintains a 401(k) plan which is available to substantially all full-time employees who have attained the age of 21 and have completed 90 days of service. Employees can elect to make contributions of up to 15% of compensation or the maximum allowed by law. The Organization has an option to match up to 4% of compensation. For the year ended December 31, 2020, the Organization contributed \$231,238.

Note 12 - Commitments and contingencies

The Organization leases its office facilities and certain office equipment under noncancelable operating leases expiring through February 2023. Total rent expense under these leases was \$39,645 for the year ended December 31, 2020.

The following is a schedule, by years, of future minimum lease payments required under the operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2020:

2021	\$ 7,312
2022	4,412
2023	<u>377</u>
	<u>\$ 12,101</u>

Coronavirus

In December 2019, a novel strain of the coronavirus ("COVID-19") was reported. On March 11, 2020, the World Health Organization declared the COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The spread of this virus globally has caused business disruption domestically in the United States, the area in which the Organization primarily operates. As a result, events have occurred, including mandates from federal, state and local authorities leading to the cancellation of most of the Organization's fundraising events and an overall decline in camp activity. While the disruption is currently expected to be temporary, there is

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Notes to Financial Statements December 31, 2020

considerable uncertainty around the duration of this uncertainty. Therefore, the extent of the financial impact and duration cannot be reasonably estimated at this time.

Note 13 - Subsequent events

The Organization has evaluated the impact of subsequent events through October 29, 2021, which is the date the financial statements were available to be issued.

PPP loan forgiveness

The Organization submitted its application for PPP Loan forgiveness after December 31, 2020 and received notice from the SBA in May 2021 that the SBA approved forgiveness of the full amount of the PPP Loan and the related interest thereon. Accordingly, the Organization will derecognize \$704,727 of the PPP Loan and recognize a corresponding gain on debt forgiveness, which will be included in other income for the year ending December 31, 2021.

Additional PPP loan

On April 6, 2021, the Organization entered into an additional unsecured promissory note with a commercial bank for an aggregate principal amount of \$724,790 pursuant to the PPP Loan, which was established under the CARES Act and is administered by the SBA. The loan has a five-year maturity and includes interest at a fixed rate of 1% per year until the maturity date. The PPP Loan promissory note contains customary events of default, relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in the repayment of all amounts outstanding and/or filing suit and obtaining judgement against the Organization.

The Organization has not submitted its application for PPP loan forgiveness for the additional PPP Loan as of the date of this report but expects to do so in 2021 and believes it will qualify for full or partial forgiveness.



Independent Member of Nexia International

cohnreznick.com